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GOVERNOR

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL
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BUREAU OF INSURANCE
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MILA KOFMAN
SUPERINTENDENT

December 16, 2010

To: Maine Health Insurance Carriers
Re: Producer Compensation

The purpose of this letter is to remind health insurance companies in Maine of existing state and federal requirements relating to agent compensation. Bureau of Insurance Bulletin 212 (July 12, 1993) and U.S. Health Care Financing Administration (HCFA) Bulletin 98-01 are attached. They may also be downloaded at the following links:

<http://www.maine.gov/pfr/insurance/bulletins/212.htm>

<http://www.cms.gov/HealthInsReformforConsume/downloads/HIPAA-98-01.pdf>

Please review both to ensure that your current and/or new compensation structures (taking effect in 2011) are consistent with state and federal law requirements.

In addition to the laws cited in the bulletins, laws governing premiums, premium taxes, and MLR calculations should be considered. These include, without limitation: laws relating to producer and consultant compensation at 24 A.M.R.S.A. §§ 1411(3) & 1450(3); laws defining "premium" and prohibiting add-on fees at 24 A.M.R.S.A. §§ 2174(2) & 2403; laws prohibiting premium rebates at 24-A.M.R.S.A. §§ 2160 & 2161; the law establishing uniform accounting practices at 24-A.M.R.S.A. § 901-A, and the regulations governing the calculation of medical loss ratios, Maine Bureau of Insurance Rule 940 and 45 CFR Part 158.

No later than 30 days from the date of this letter, please provide the Bureau with a copy of your existing commission schedules/compensation structure for small group and large group business in Maine. If you determine that your compensation structure is not consistent with Maine's laws, please provide the Bureau with information on how you intend to remedy the inconsistency. We will not impose penalties or take other disciplinary action for companies that restore compliance through self-reporting and self-correction.

The information requested should be sent to the attention of Staff Attorney Norm Stevens by e-mail at norman.a.stevens@maine.gov, with a copy to me at robert.a.wake@maine.gov. If you have questions, please feel free to e-mail or call either of us. Mr. Stevens's direct line is (207) 624-8418, and mine is (207) 624-8430. Thank you for your cooperation in this matter.

Sincerely,

Robert Alan Wake
General Counsel



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